

Professional Standards and Advocacy
Association for Investment Management and Research
P.O. Box 3668
Charlottesville, VA 22903

December 31, 2002

Dear Sir or Madam:

Re: Comments on the Addition of Advertising Guidelines to the GIPS Standards

Thank you in advance for allowing us to provide you with the AIMR PPS Implementation Committee's remarks. This opportunity is appreciated greatly.

1. Do you support AIMR's effort to develop Advertising Guidelines to be added to the GIPS standards?

Yes.

2. Do you agree with the proposed effective date of May 1, 2003?

As the change in Advertising Guidelines may significantly impact many U.S. and Canadian firms that currently comply with the AIMR-PPS Advertising Guidelines and require system changes, we recommend that the effective date be changed to at least 3 months after the date of issuance of the final GIPS Advertising Guidelines.

3. Do you agree with the information and disclosures required in both of the scenarios (advertisements that include the claim of compliance and advertisements that include both a claim of compliance and performance results)? Should additional information be provided in an advertisement? Are there too many required disclosures?

From the perspective of the AIMR PPS Implementation Committee, the AIMR-PPS Advertising Guidelines ('PPS') appear much more detailed and arguably more stringent than the GIPS Advertising Guidelines ('GIPS'). Although more strict, the requirements of the PPS that we are recommending for inclusion in the GIPS should be easily calculated and disclosed by a GIPS compliant firm. We have considered the differences and recommend the following:

- Net of fee performance results should be mandatory. If gross of fee performance is presented, it should be in equal prominence to net and easily comparable. Due to the nature of the use of an advertisement (other than a one-on-one meeting with a prospective client), we recommend that net results be required.
- Additional guidance regarding the definition of "advertisement" should be included. The PPS Advertising Guidelines contain a definition of 'advertisement' that is comprehensive and useful giving specific direction regarding one-on-one presentations, RFPs, Flash Reports, the Internet, and particularly in reference to SEC regulations (perhaps only relevant to North America).
- The requirement to disclose a "description" of the composite should be changed to require disclosure of the "definition" of the composite. The revised wording would be in accordance with the Guidance Statement on Composite Definition.

We have also considered issues addressed in PPS that are not in GIPS, and have identified the following items as best practices that we recommend be included in the GIPS:

- A requirement to disclose periods of non-compliance with the GIPS, if any.
- Clarify what can and cannot be said in an advertisement with regard to verification status or a performance examination.
- Examples of compliant advertisements should be included that reflect correct use of the logo and clear and distinct statements of compliance.
- A requirement to respond to a request for a complete list and description of firm composites within a specified time period.
- A requirement to disclose the monetary value of the composite for the most recent period displayed.
- A requirement to disclose results through the most recent calendar quarter (given a reasonable amount of time after the end of the period). Mandating the period through which performance must be disclosed would prevent a firm from selectively choosing which periods to include in the advertisement.

We also recommend that the Advertising Guidelines explicitly state that the Advertising Guidelines do not apply to the advertising of mutual funds or any other non-composite oriented products.

4. At some point in the future, should the GIPS Advertising Guidelines be mandatory for all GIPS-Compliant firms? Should a GIPS compliant firm be required to follow specific rules when advertising, regardless of whether the advertisement includes a claim of compliance?

Yes. The claim of compliance is not applicable for only some aspects of the firm and on a case-by-case basis. It is a firmwide declaration that should be adhered to in all aspects of firm business. Advertisements of composite results to potential clients over various mediums are arguably where the guidance is needed most. Therefore, the firm should be held accountable whether or not the claim of compliance is in the advertisement.

This committee would like to stress the importance of the Advertising Guidelines as a first line of defense for future clients that may have no other method of discerning an ethical presentation of performance and may be relying on the reputation of the firm in question. Being GIPS compliant implies an ethical standard that should be above reproach. By providing more guidance rather than less, the “Gold Standard” is ensured.

Thank you again for the opportunity to comment.

Sincerely,

AIMR PPS Implementation Committee